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23 July 1971

Economic and Military Reconstruction in
North Vietnam During June 1971

Introduction

This monthly report reviews economic developments within North Vietnam, including the receipt of economic and military aid and the construction of military facilities. These developments are selected on the basis of their relevance to North Vietnam's ability to continue supporting the war in Indochina and to restore the economy, and thus to their possible effect on the country's desire or need to negotiate a settlement of the current conflict.

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State Department review
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Military Affairs

1. A North Vietnamese military delegation returning in early June from a month-long tour of Communist countries apparently has obtained commitments for increased military aid. Hanoi and Peking both announced the conclusion of a protocol that probably is for the supplemental military aid agreement signed on 15 February, seven days after the initiation of Lam Son 719. No details of the agreement were released. Communist China also reported the departure of Le Duc Tho and the military delegation as they left Peking travelling "abroad". Although the trip has not been mentioned by any other Communist government, an agreement appears to have been concluded during June at least with the Soviets. [REDACTED]

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[REDACTED]

The estimated values of expenditures and confirmed losses of military equipment by the North Vietnamese during Lam Son amounted to about \$25 million, and allowance for unconfirmed air losses could increase this total by up to \$15 million. Historically, the signing of military aid agreements between the USSR and North Vietnam

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is openly publicized and the absence of a public announcement in the present instance is unusual. Perhaps the secrecy surrounding this visit does indeed reflect an attempt to conceal losses during Lam Son and increased military activity to come. In any case, the plausibility of a new military

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extent of possible military aid from East European Communist countries cannot be ascertained.

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25X1 [REDACTED] They are now working on the airfield

at Duong Suong, located 20 miles southwest of Hanoi, where

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25X1 [REDACTED] The 8,300 foot runway was in good

25X1 condition [REDACTED] when seven MIG-21's were

identified there. At the Kien An airfield near Haiphong,

taxiway construction has not progressed much [REDACTED]

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although the airfield remains usable. Concrete slabs are prepositioned for installation along the deteriorated sections of the taxiway. [REDACTED]

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[redacted] a new road has been constructed through the western DMZ into South Vietnam connecting with Route 9, the main east-west road from Laos into Quang Tri Province. Construction of the road at this time takes advantage of the dry season weather in South Vietnam while heavy rains are disrupting supply movements in Laos. The new road will give the Communists a direct route from North Vietnam into the Khe Sanh area.

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The Economy

4. Sketchy returns on the economy in mid-1971 suggest some progress compared to the first half of last year. Over-fulfillment of plan targets was claimed for light industry, and for electric power and coal in the heavy industrial sector. The volume of construction was said to be double that of last year although guarded qualification indicates continuing problems in the construction industry. The fifth-month harvest appears to be on schedule and, as of 20 June, 75% of the rice crop and 65 % of secondary and industrial crops reportedly had been harvested.

5. A few consumer items appear to be more plentiful in the Hanoi area but basic goods continue to be rationed.

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almost unheard of in recent years, was available at 8 dong per meter. Abundant supplies of sugar at official markets reportedly brought the price of sugar on the free market down from 6 dong per kilogram to about 4 dong. Milk, a particularly scarce item during the bombing, reportedly was even taken off the list of rationed items and its price reduced. However, because most of these items were imported -- cloth from Japan, sugar from Cuba, milk from the USSR and China -- their increased availability may be short-lived and not indicative of a sudden improvement in the standard of living. While previous strains on the supply of consumer goods seem to be somewhat alleviated, rationing of basic items such as meat, grain, and other cloth continues; even if a substantial surplus should develop, the regime's austerity policies probably would demand that most of it be exported rather than consumed domestically.

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[REDACTED]
[REDACTED] reported that economic progress in 1971 would not be greatly changed from the past year but that significant economic recovery, including reconstruction and new construction, would begin in 1972. One reason given for this time schedule regarding construction was a fear of the resumption of US bombing. A few of the requisites for more rapid growth are even now evident.

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There are good prospects for significant increases in agricultural output during 1971, for elimination of electric power shortages, and probably increased coal supplies. General advances elsewhere in the economy, however, are likely to be less dramatic. An enlarged program of construction will necessarily entail foreign aid which so far appears comparable to last year, with the possible exception of a larger than usual influx of Chinese technicians in the first half of 1971

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[REDACTED]
[REDACTED] If an accelerated construction program is in the works,

it probably relates mainly to bomb-damaged projects built initially with Chinese assistance that have not been repaired since the bombing halt. These include some of the country's most important industrial facilities -- Thai Nguyen Iron and Steel Complex, Bac Giang Chemical Fertilizer Plant, Nam Dinh Textile Plant, Co Dinh Chromite Concentrating Plant.

Construction

[REDACTED] over-

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view of industrial construction in large parts of the country. North Vietnam's selective priority in developing the electric power industry is clearly evident. Construction is proceeding rapidly at the Thac Ba hydroelectric powerplant, the new diesel plant in Haiphong is nearing completion, the Uong Bi plant is being expanded, and the important Dong Anh substation is

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being reconstructed. Nine other damaged powerplants, although in partial operation, show no change in status

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While power shortages were inevitable after the bombing halt, nevertheless the policy adopted in powerplant construction -- to concentrate efforts on several large or critical projects -- will result in the fastest recovery with the smallest commitment of resources.

8. Industrial construction elsewhere in the country has proceeded slowly. At the Thai Nguyen Iron and Steel Complex a second blast furnace was observed to be in operation but the first furnace, which was restored in 1970, was idle. These circumstances indicate problems that probably have severely restricted the output of pig iron thus far, and suggest that sustained production is still some months away. A great deal of damage remains at the steelmaking components of the complex. Construction activity is evident at the Haiphong Cement Plant but little progress has been made

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9. During June rail traffic was observed on the Hanoi-Dong Dang railroad realignment project, near the border with Communist China. This is the first confirmed use of the rail segment since the project was started

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10-mile project required the rechanneling of a river, several

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bridges, and construction of six tunnels, including one some 4,000 feet long. Completion of the rail realignment significantly increases the capacity of the railroad from Hanoi to Dong Dang as it bypasses a section of the original rail line where numerous short-radius curves and steep grades restricted the length of trains.

10. North Vietnam continues to make progress on the connecting rail link between Vinh and the light-capacity line leading south. The rail embankment is complete from the southern terminus of the Hanoi-Vinh railroad to the Song Ca. It is also in place between the Song Ca and Song Giang rivers and on the south bank of the Song Giang. Another embankment for a spur line between Vinh and the port of Ben Thuy to the

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Conclusions

17. North Vietnam appears to have obtained new commitments of military aid in June from Communist China and the USSR and possibly from other Communist countries as well. Soviet military assistance reportedly stems in part from losses during the Lam Son 719 campaign. Hanoi continues its program of upgrading airfields and hardening airfield

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facilities when possible. Military logistics capabilities have been enhanced by the construction of a road leading directly through the western DMZ into Quang Tri Province in South Vietnam, and further north in the Vinh area work continues on a connecting railroad link that will allow rail traffic to service probably two of the entry corridors into Laos -- Mu Gia Pass and Ban Karai Pass.

18. Although it is premature to make broad conclusions about the state of the economy, North Vietnam seems to have made steady progress in the first six months of 1971, particularly in the agricultural sector. Construction of key electric power facilities demonstrates the priority allocated to this branch of industry, and probably will significantly reduce constraints on power supply before the end of the year. General industrial construction, on the other hand, continues at a much slower pace but could also result in additions to productive capacity in pig iron, fertilizer, and cement by year's end. The reported plan to accelerate economic recovery and construction during 1972 and the large number of Chinese technicians observed in the country may signal a resumption of construction on several large projects that have lain dormant since the bombing halt.

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